



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 106 of 2023

Salaam Takaful Limited

...Appellant

Versus

Director/HOD, Adjudication Department-I, SECP, Islamabad

...Respondent

Date of Hearing:

May 30, 2025

Present:

For the Appellant:

1. Mr. Christopher Charles
2. Mr. Syed Nayyar Hussain Zaidi

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division, SECP
2. Mr. Shafiq Ur Rehman, Additional Joint Director, Adjudication-I Department, SECP

## ORDER

1. This Order shall dispose of Appeal No. 106 of 2023 filed by Salaam Takaful Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the order dated October 11, 2023 (the "Impugned Order") passed by Director/Head of Department, Adjudication Department-I, SECP, (the "Respondent") under Section 156 of the Insurance Ordinance 2000 (the "Ordinance").



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2. The brief facts of the case are that the Appellant is a company registered under the Ordinance to undertake general takaful business in Pakistan. During the offsite examination of the annual audited accounts of the Appellant for the year ended December 31, 2021, it was revealed that paid-up capital of the Appellant stands at Rs. 1,132 million and accordingly, the required 'Minimum Statutory Deposit' under Section 29 of the Ordinance should be 10% of paid-up capital i.e Rs. 113.2 million. However, it was intimated to the Commission by the State Bank of Pakistan (SBP), vide letter dated April 29, 2022, that the Appellant has deposited an aggregate amount of Rs. 91.542 million with SBP as 'Statutory Deposit' - a shortfall of Rs. 21.658 million.
3. In light of the above-mentioned violation, the Respondent issued a Show-Cause Notice dated April 11, 2023 (the "SCN") to the Appellant. Written response in reply to the SCN was submitted by the Appellant vide letter dated April 24, 2023. A hearing in the matter was held on May 11, 2023, which was attended by the authorized representatives of the Appellant. The Respondent concluded the SCN proceedings and not being satisfied with the stance taken by the Appellant, and in exercise of powers conferred under Section 156 of the Ordinance, imposed a penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) upon the Appellant for the contravention of Section 11(1)(b) and Section 29 of the Ordinance.
4. The Appellant has preferred this appeal *inter alia* on the grounds that the Impugned Order has been passed on the basis of misapplication and non-reading of facts as submitted by the Appellant vide its response dated April 24, 2023 and the verbal submissions made at the time of the hearing were not considered. It was submitted by the Appellant that the legal provisions concerning the requirement of statutory deposit are not clearly defined. The Appellant interpreted the relevant regulation to mean that the statutory deposit should amount to 10% of the paid-up capital, net of any discount. The stance taken by the Appellant with regard to the amount of statutory deposit in its earlier reply vide letter dated March 14, 2023 is reproduced below:



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“... paid-up is Rs. 1,132,020,019 before discount and after discount it is Rs. 800,000,000. As per Section 29 of the Insurance Ordinance, 2000 read with sub-rule 3 of rule 11 of Insurance Rules, 2017, the amount of paid-up capital shall be net off discount. Therefore, the statutory deposit should be Rs. 80 million which is 10% of the paid-up capital. However, our statutory deposit i.e Rs. 91.54 million exceeds the given requirements of the law...”

5. It was further submitted by the Appellant that there is a lack of clarity in the law under which the requirement of statutory deposit is imposed upon the Appellant, as it should have been clearly mentioned that for the purpose of statutory deposit, the amount of paid-up capital shall be considered before the discounted price. The Appellant further asserted that the requirements of minimum statutory deposit, mentioned under Section 11(1)(b) of the Ordinance read with Section 29 of the Ordinance are not static or fixed, it was submitted that these are *additive* to the minimum solvency requirements of the overall insurance regulatory framework and same is also evident from the *Proviso* to sub-section 2(b) of Section 29 of the Ordinance. The Appellant asserted that it should be noted that the statutory deposit was made, but inadvertently the discount price was considered while calculating the deposit, which led to an incorrect computation, thus establishing the *bona fide* of the Appellant. While concluding the arguments, the Appellant submitted that the statutory deposit amount was calculated based on a misinterpretation of the relevant provisions of the Ordinance and that due to the lack of clarity in the said provisions, an inadvertent mistake occurred. The Appellant, therefore, requested that the Impugned Order passed against the Appellant be set aside.
6. The Respondent rebutted the grounds of Appeal and put forth the arguments that the default in complying with the requirements of the Ordinance continued until June 2023, when the Appellant eventually met the shortfall in statutory deposit and such a fact transpires that the Appellant was in default for nearly one-and-a-half years and subsequent compliance does not absolve the Appellant from the past default. The Respondent submitted that the wording of



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Section 11(1)(b) of the Ordinance is unambiguous and clearly stipulates that an insurer must at all times ensure compliance with the provisions of the Ordinance relating to minimum statutory deposits. Furthermore, the Respondent referred to Section 29 of the Ordinance, which explicitly provides that the statutory deposit must be equivalent to 10% of the insurer's paid-up capital. For reference, Section 29 of the Ordinance is reproduced below:

*“Deposits: Every insurer shall, in respect of the insurance business carried on by him in Pakistan, deposit and keep deposited with the State Bank of Pakistan, in one of the offices in Pakistan of the State bank of Pakistan for and on behalf of the Federal Government the required minimum amount specified in sub-section (2), either in cash or in approved securities estimated at the market value of the securities on the day of deposit, or partly in cash and partly in approved securities so estimated.*

*(2) For the purpose of this Section the required minimum amount is, either:*

*(a) the higher of ten million rupees and ten percent (10%) of the insurer's paid-up capital”*

7. The Respondent, while referring to the wording of Section 29 of the Ordinance, submitted that a plain reading of the provision clearly indicates that the statutory deposit required to be placed with the State Bank of Pakistan must be equivalent to 10% of the Company's paid-up capital. Since there is no reference to any discount or adjustment in the provision, the Respondent asserted that the Impugned Order should be upheld, as the penalty has been rightly imposed upon the Appellant
8. In view of the foregoing discussion and upon careful consideration of the facts, submissions of the parties and the applicable provisions of law, the Appellate Bench (the Bench) is of the view that the Appellant is in clear violation of Section 11(1)(b) read with Section 29(2)(a) of the Ordinance, by failing to maintain the required statutory deposit corresponding to its actual paid-up capital. The statutory deposit is explicitly required to be ten percent (10%) of the



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insurer's paid-up capital, and there is no provision under the Ordinance or the Insurance Rules, 2017 permitting such capital to be calculated net of discount for the purpose of determining the statutory deposit.

9. The Bench acknowledges the fact that the Appellant subsequently rectified the shortfall in statutory deposit, such post-violation compliance does not absolve the Appellant of the contravention that continued for an extended period of time. The assertion of *bona fide* mistake, though noted, cannot override a clear legal requirement, particularly where the statutory language leaves no room for alternative interpretation.
10. In view of the foregoing, we find no reason to interfere with the merits of the Impugned Order, therefore, by maintaining the Impugned Order, we hereby **dismiss** this Appeal without any order as to cost.

(Abdul Rehman Warraich)  
Commissioner

(Muzaffar Ahmed Mirza)  
Commissioner

Announced on: **31 OCT 2025**